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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

Arizona Corporation Commission

**DOCKETED**

JUN 19 2014

DOCKETED BY

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IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR A HEARING  
TO DETERMINE THE FAIR VALUE OF  
THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING  
PURPOSES, TO FIX A JUST AND  
REASONABLE RATE OF RETURN  
THEREON, AND TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN.

DOCKET NO. E-01345A-11-0224

**WAL-MART STORES, INC. AND SAM'S WEST, INC.'S**


**NOTICE OF FILING DIRECT TESTIMONY OF STEVE W. CHRISS ON  
FOUR CORNERS ADJUSTMENT SCHEDULE**

Wal-Mart Stores, Inc. and Sam's West, Inc. (collectively, "Walmart"), hereby  
provides notice of the filing of Steve W. Chriss' direct testimony in the above referenced  
matter.

Dated this 19<sup>th</sup> day of June, 2014.

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By

  
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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE, Chairman  
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SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN.

NO. DOCKET NO. E-01345A-11-0224

**DIRECT TESTIMONY OF STEVE W. CHRISS**  
**ON FOUR CORNERS ADJUSTMENT SCHEDULE**  
**WAL-MART STORES, INC. AND SAM'S WEST, INC.**

June 18, 2014

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### Exhibits

Exhibit SWC-1

**Introduction**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

A. My name is Steve W. Chriss. My business address is 2001 SE 10th St., Bentonville, AR 72716-0550. I am employed by Wal-Mart Stores, Inc. as Senior Manager, Energy Regulatory Analysis.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

A. I am testifying on behalf of Wal-Mart Stores, Inc. and Sam's West, Inc. ("Walmart").

**Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007 as Manager, State Rate Proceedings, and was promoted to my current position in June 2011. My Witness Qualifications Statement is included herein as Exhibit SWC-1.

**Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE ARIZONA CORPORATION COMMISSION ("THE COMMISSION") IN THIS DOCKET?**

1 A. Yes. I submitted Direct Testimony (Non-Rate Design) on November 18, 2011,  
2 Rate Design Testimony on December 2, 2011, and Testimony in Support of the  
3 Settlement on January 18, 2012.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE**  
5 **OTHER STATE REGULATORY COMMISSIONS?**

6 A. Yes. I have submitted testimony in over 90 proceedings before 33 other utility  
7 regulatory commissions and before the Missouri House Committee on Utilities,  
8 the Missouri Senate Veterans' Affairs, Emerging Issues, Pensions, and Urban  
9 Affairs Committee, and the Kansas House Standing Committee on Utilities and  
10 Telecommunications. My testimony has addressed topics including, but not  
11 limited to, cost of service and rate design, ratemaking policy, qualifying facility  
12 rates, telecommunications deregulation, resource certification, energy  
13 efficiency/demand side management, fuel cost adjustment mechanisms,  
14 decoupling, and the collection of cash earnings on construction work in  
15 progress.

16 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR**  
17 **TESTIMONY?**

18 A. Yes. I am sponsoring Exhibit SWC-1, consisting of twelve pages.

19 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN**  
20 **ARIZONA.**

21 A. Walmart operates 121 retail units and employs 32,438 associates in Arizona. In  
22 fiscal year ending 2014, Walmart purchased \$789 million worth of goods and  
23 services from Arizona-based suppliers, supporting 24,245 supplier jobs.<sup>1</sup>

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<sup>1</sup> <http://corporate.walmart.com/our-story/locations/united-states#/united-states/arizona>

1 Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN  
2 APS'S SERVICE TERRITORY.

3 A. Walmart has approximately 49 stores and distribution centers serviced by  
4 Arizona Public Service ("APS" or "the Company"), primarily on Schedules E-  
5 32L and E-32M. Approximately 40 of those facilities also take service on  
6 Experimental Rate Rider Schedule AG-1, Alternative Generation General  
7 Service ("AG-1").

8 **Purpose of Testimony**

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to address concerns regarding APS's proposed  
11 Adjustment Schedule FCA, Four Corners Adjustment ("FCA"). Specifically, I  
12 respond to the testimonies of Elizabeth A. Blankenship and Jeffrey B. Guldner.

13 **Summary of Recommendations**

14 Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE  
15 COMMISSION.

16 A. My recommendations to the Commission are as follows:

- 17 1) The Commission should reject APS's proposal to apply the FCA to the  
18 non-generation, or "APS" portions of AG-1 customer bills.  
19 2) The Commission should modify the Company's proposed FCA tariff  
20 language as follows:

21 "RATE

22 The FCA charge will be applied to the customer's monthly billed  
23 amount, excluding all other adjustments, sales tax, regulatory  
24 assessment and franchise fees. The resulting charged amount shall  
25 not be less than zero. In addition, the charge shall not apply to:  
26

- Any portion of the monthly billed amount for a customer that takes service under Rate Rider Schedule AG-1.”

The fact that an issue is not addressed herein or in related filings should not be construed as an endorsement of any filed position. Additionally, for issues not addressed in this testimony, Walmart specifically reserves the right to address these issues in rebuttal if they are brought up by other parties.

### **Background**

**Q. WHAT IS SCHEDULE AG-1 AND HOW DID IT COME INTO EXISTENCE?**

A. AG-1 is a buy through rate for large commercial and industrial customers which allows customers to purchase generation service from a third-party Generation Service Provider. APS had proposed AG-1 in its direct testimony in the first phase of this proceeding, and it was adopted with modifications as part of the Settlement Agreement. The Commission approved AG-1 as proposed by the Settlement Agreement in Decision No. 73183. *See* Decision No. 73183, Exhibit A, page 18 and Attachment J.

**Q. WHAT ARE THE RATE PROVISIONS INCLUDED IN AG-1?**

A. AG-1 includes the following rate provisions:

- 1) The generation charges will not apply;
- 2) Adjustment Schedule PSA-1 will not apply, except that the Historical Component will apply for the first twelve months of service under this rate rider schedule;
- 3) Adjustment Schedule EIS will not apply;
- 4) The applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the

1 electric energy or service sold and/or the volume of energy generated or  
2 purchased for sale and/or sold hereunder shall be applied to the  
3 customer's bill;

4 5) A management fee of \$0.0006/kWh to the customer's metered kWh;

5 6) A reserve capacity charge applied to 15 percent of the customer's billed  
6 kW;

7 7) An initial charge for fuel hedging costs;

8 8) Returning Customer charge, where applicable; and

9 9) Generation Service Provider Default charge, where applicable. *See*  
10 Decision No. 73183, Attachment J, page 4.

11 **Q. WHAT ARE THE TERMS OF THE HEDGING PROVISION IN AG-1?**

12 A. Per the AG-1 tariff, the customer will pay the hedge cost associated with the  
13 customer's Standard Generation Service at the time that the customer switches  
14 to AG-1. The cost to the customer is determined by the Company as its  
15 applicable pro rata hedge cost based on the market price for hedge costs at the  
16 time the customer takes service under AG-1. *Id.*, page 3.

17 **Q. ONCE A CUSTOMER HAS SWITCHED TO AG-1, DOES THAT**  
18 **CUSTOMER THEN CAUSE APS TO INCUR ANY RETAIL**  
19 **GENERATION COST?**

20 A. No. In addition, once the customer has paid the Historical Component of the  
21 PSA and the hedge costs, that customer has fully compensated the Company  
22 for generation costs incurred on its behalf that were not fully recovered prior to  
23 the Customer switching to AG-1.

24 **APS's Four Corners Adjustment Proposal**

25 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S**  
26 **PROPOSED FCA?**

1 A. My understanding of the proposed FCA is that it is the mechanism by which  
2 APS seeks to include in rates the rate base and expense costs associated with  
3 the acquisition of Southern California Edison's share of Four Corners  
4 generation Units 4 and 5, the retirement of Four Corners generation Units 1, 2,  
5 and 3, and any cost deferrals authorized in Docket No. E-01345A-10-0474.  
6 See Direct Testimony of Jeffrey B. Guldner, page 5, line 2 to line 5. In all,  
7 APS seeks recovery of an annual revenue requirement of \$62.53 million related  
8 to Four Corners generation-related costs. See Direct Testimony of Elizabeth A.  
9 Blankenship, page 4, line 4 to line 5.

10 **Q. DOES THE COMPANY PROPOSE THE FCA UNDER THE TERMS OF**  
11 **THE SETTLEMENT APPROVED BY THE COMMISSION IN THIS**  
12 **DOCKET IN DECISION NO. 73183?**

13 A. Yes. Specifically, the Company refers to Section 10.2 of the Settlement, which  
14 keeps the instant docket open in order for APS to file such a request. See  
15 Direct Testimony of Jeffrey B. Guldner, page 4, line 11 to line 26.

16 **Q. WAS WALMART A PARTY TO THE SETTLEMENT?**

17 A. Yes. See Decision No. 73183, Exhibit A, page 3. Additionally, both Chris  
18 Hendrix, Director of Markets & Compliance for Wal-Mart Stores, Inc. and I  
19 filed testimony on behalf of Walmart supporting the settlement.

20 **Q. HOW DOES APS PROPOSE TO RECOVER THE REVENUE**  
21 **REQUIREMENT FROM CUSTOMERS?**

22 A. APS proposes to recovery the revenue requirement from customers on an equal  
23 percentage basis applied to the base portion of customer bills, with certain  
24 exceptions. *Id.*, line 5 to line 7.

25 **Q. WHAT EXCEPTIONS DOES APS PROPOSE?**

26 A. APS proposes the following exceptions:

- 1) The generation service and imbalance service charges in AG-1;
  - 2) The energy and ancillary service charge in Rate Schedule E-36 XL;
  - 3) Credits for the purchase of excess generation under rate rider schedules EPR-2, EPR-6, and E-56R; and
  - 4) Voluntary charges under rate rider schedules GPS-1, GPS-2, and GPS-3.
- See Attachment EAB-9, Schedule 5.*

**Q. DOES THE COMPANY'S PROPOSAL INCLUDE APPLYING THE FCA CHARGE TO NON-GENERATION, OR "APS" PORTIONS OF AG-1 CUSTOMER BILLS?**

A. Yes. *See Direct Testimony of Jeffrey B. Guldner, page 10, line 18 to line 21.* My understanding is that, using E-32L as an example, the FCA would apply to the customer accounts, metering and billing, system benefits, transmission, and delivery charges. *See A.C.C. No. 5813, page 2 to page 3.*

**Q. WHAT IS THE PROPOSED FCA CHARGE AT THE COMPANY'S PROPOSED REVENUE REQUIREMENT?**

A. The proposed FCA charge is 2.2 percent. *See Attachment EAB-9, Schedule 5.*

**FCA Application to AG-1 Customers**

**Q. DOES WALMART HAVE CONCERNS WITH THE PROPOSED FCA?**

A. Yes. As I will explain below, the proposed FCA is inconsistent with the Settlement approved by the Commission in Decision No. 73183 and the resulting terms of AG-1, and associated cost causation principles.

**Q. ARE COSTS RELATED TO THE ACQUISITION OF FOUR CORNERS UNITS 4 AND 5 INCURRED ON BEHALF OF CUSTOMERS THAT TAKE GENERATION SERVICE FROM APS?**

A. Yes, and only those customers who take generation service from APS will receive benefits from those units. As such, per the matching principle, in

1 which customers bear costs only when they are receiving a benefit, only those  
2 ratepayers who take generation service from APS and will benefit from the  
3 acquisition of those assets should bear the burden of those costs.

4 **Q. DOES CHARGING AG-1 CUSTOMERS THE FCA VIOLATE THE**  
5 **MATCHING PRINCIPLE?**

6 A. Yes. AG-1 customers will receive no benefit from the acquisition of Four  
7 Corners Units 4 and 5 and should not bear any related cost.

8 **Q. DOES THE AG-1 TARIFF CURRENTLY RECOGNIZE THAT AN AG-1**  
9 **CUSTOMER CAUSES NO RETAIL GENERATION COST TO BE**  
10 **INCURRED BY THE COMPANY?**

11 A. Yes, and it specifically states that "the generation charges will not apply." *Id.*,  
12 page 4. This is consistent with cost causation and matching principles, which  
13 provide that costs for generation services should be recovered from customers  
14 who cause the utility to incur those costs.

15 **Q. DOES THE APPLICATION OF THE FCA TO PART OF AN AG-1**  
16 **CUSTOMER BILL APPEAR TO VIOLATE THE PROVISION OF AG-1**  
17 **THAT STATES THAT GENERATION CHARGES WILL NOT APPLY?**

18 A. Yes, as application of the proposed FCA would charge a "generation charge" to  
19 AG-1 customers.

20 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

21 A. The Commission should reject APS's proposal to apply the FCA to the "APS"  
22 portions of AG-1 customer bills.

23 **Q. DO YOU RECOMMEND A MODIFICATION TO THE FCA**  
24 **LANGUAGE PROPOSED BY APS?**

25 A. Yes. I recommend the following modification to the Company's proposed  
26 FCA language:

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“RATE

The FCA charge will be applied to the customer’s monthly billed amount, excluding all other adjustments, sales tax, regulatory assessment and franchise fees. The resulting charged amount shall not be less than zero. In addition, the charge shall not apply to:

- Any portion of the monthly billed amount for a customer that takes service under Rate Rider Schedule AG-1.”

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes.